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DIRECTORATE OF
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WEEKLY SUMMARY

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C O N T E N T S

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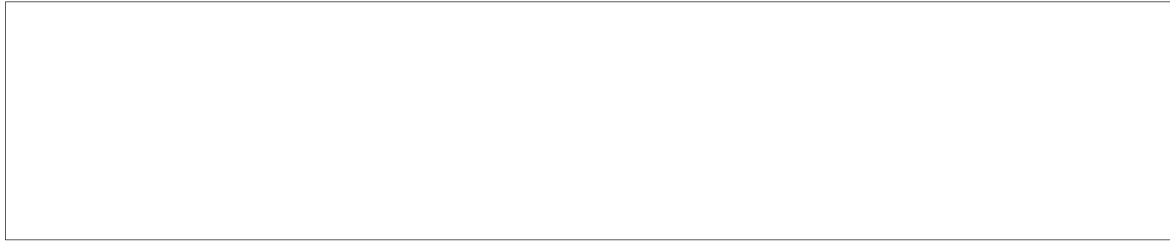
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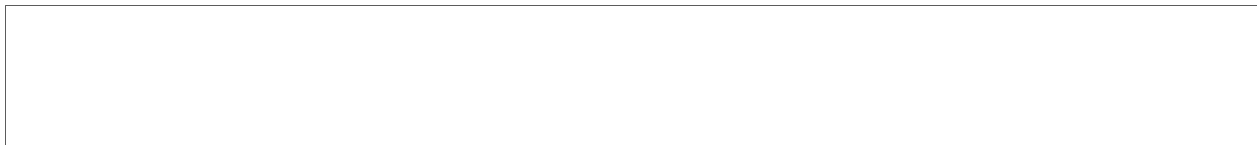
The Soviets are worried by recent Western European moves in the direction of economic union because of their fear that a confederated and strengthened Europe would harm Soviet political and economic interests.

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VENEZUELA'S PRESIDENT CALDERA--A YEAR OF FRUSTRATION
President Caldera's second year promises to be more fruitful than his first, but he still faces many serious difficulties.

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FAR EAST

The Vietnamese Communists, faced with a hostile Cambodian Government that is rapidly consolidating its control, are determined through intimidation, by bluster and if necessary by force, to preserve their bases along the Cambodian border. Prince Sihanouk himself, unwilling to give up the country he personally guided to independence amidst the conflicting interests of Western and Communist powers in Indo-China, has thrown in with the Communists as the only means he sees of regaining power. His new comrades hope that his announced formation of a "national liberation army," together with the prospect of serious battle with North Vietnamese regulars, will force Phnom Penh to accommodate itself to Communist use of Cambodian territory for sanctuary, infiltration, and resupply.

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Student agitation in the Philippines last week concentrated on exploiting the rising cost of living, an issue on which the government is especially vulnerable. Student agitators protested a 50-percent rise in bus fares by stoning buses and government vehicles. Many students, however, are preoccupied with examinations, and upcoming holidays could slow things down until July. Moderate students hope to use the holidays for organization and to win wider popular support; the public generally opposes the violence that has dominated student demonstrations thus far. With stronger popular backing, the students would be able to increase significantly the pressures on President Marcos.

President Suharto of Indonesia paid a three-day state visit to Malaysia last week, in return for Malaysian Premier Rahman's 1968 visit. To further cement the good relations that have existed since the confrontation period ended in mid-1966, the two countries signed a Treaty of Friendship and concluded a territorial waters agreement that has been in the works for some months. The Malaysians went all out to make Suharto's visit a success. Both the Chinese community in Malaysia and Chinese-dominated Singapore, however, are probably uneasy over the increasingly friendly association between the two predominantly Muslim nations.

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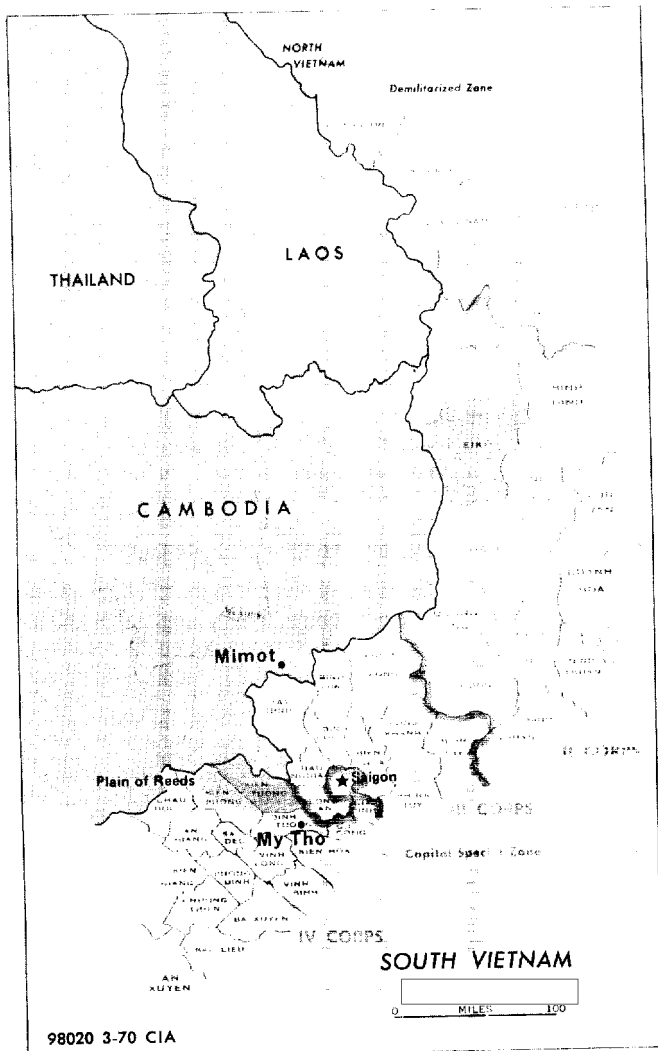
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VIETNAM

Sanctuary in Jeopardy

Recent events in Cambodia have added a new dimension to the difficulties facing the Communists' war effort in South Vietnam. In short, they have jeopardized the security of Communist base areas along the Cambodian - South Vietnamese border and have endangered enemy supply lines



through Cambodia to forces in the III and IV Corps areas.

The Communists are clearly apprehensive over the possibility of Cambodian - South Vietnamese collusion in operations against their border sanctuaries, particularly those straddling the southern part of South Vietnam. These fears were realized on 20 March when three battalions of South Vietnamese rangers, with armor and air support, raided the base camp of the North Vietnamese 88th Regiment just over the Cambodian border opposite Kien Tuong Province. Nearly 100 Communist regulars were killed in contrast with South Vietnamese losses of 22 killed and 16 wounded. The operation will no doubt compound the problems the 88th has encountered since November in its attempts to infiltrate from Cambodia across the Plain of Reeds into a major delta base area near My Tho. Hanoi is probably worried about the possibility of similar operations against several other North Vietnamese regiments that are currently strung out along the delta's western border with Cambodia.

Although the Cambodians themselves have thus far avoided major clashes with Communist units, they have strengthened their military forces along several key stretches of the border with South Vietnam. The Communists have generally elected to hold their ground and forgo, at least for the time being, any wholesale

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movement of their bases and troops into South Vietnam. [redacted]

[redacted] in the event of joint Cambodian - allied operations in the Mimot area, the Communists will relocate their headquarters to central Vietnam somewhere along the Laotian - South Vietnamese border.

The Communists are probably disturbed over the prospect of serious disruptions to their logistic networks that pass through Cambodia. The new regime in Phnom Penh has suspended all existing trade agreements with the Viet Cong, thus cutting off legal supply channels to the Communists. Furthermore, clandestine smuggling operations probably have been affected by increased security measures as well as by Cambodian troop movements in the vicinity of enemy border base areas--the terminal point of Communist supply operations in Cambodia. Communist forces in III and IV Corps would be hardest hit by any prolonged disruption of supply lines through Cambodia.

Farther north, Communist units in the western highlands of II Corps evidently have already experienced serious logistics problems because of Cambodian restrictions on supply movements. [redacted]

Saigon Plays It Cool

The Saigon government is generally adopting a restrained attitude toward events in Cambodia, even though the South Vietnamese are obviously pleased at the prospect of a more anti-Communist leadership in Phnom Penh. The Foreign Ministry has provided guidance to all South Vietnamese diplomatic missions to take a low-key approach to the problem, presumably to avoid jeopardizing a trend that can only help the South Vietnamese war effort by hindering that of the Communists.

President Thieu privately has expressed some cautiously optimistic views on the prospects in Cambodia. He noted that the current leaders in Phnom Penh will probably face grave difficulties if Sihanouk launches a Communist-backed resistance movement, largely because they cannot count on direct US support. Thieu speculated that Hanoi might find it necessary to engage in serious negotiations if the current Cambodian regime can stay in control and cut off supply lines to the Communists through Cambodia.

Student Unrest

Student groups at Saigon University continued their protests this week against the arrest of several student leaders on charges of being Viet Cong agents. The students are demanding that the government release 25X1

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the arrested leaders, but they reportedly hope to avoid violent confrontations with the police. A number of sympathetic groups in Saigon supporting the students' demands include a Buddhist organization and the press "struggle committee," which successfully challenged the government's attempt to increase taxes on imported newsprint earlier this month. In addition, several Lower House deputies have asked that the government submit an official report on the arrests to the National Assembly, and have called for a Lower House session to discuss the matter.

The students and their supporters were unmoved by police explanations for the arrests at a press conference last weekend. Police officials said that a total of 40 students had been arrested, all of whom were charged with belonging to a Viet Cong student association. The Saigon police chief claimed that the arrested students' aims were to agitate for a coalition government, turn other students against the government, infiltrate legiti-

mate groups, and assassinate anti-Communist groups.

Land Reform Law Promulgated

President Thieu promulgated the land-reform law during a special national holiday called on 26 March to celebrate the occasion. The President plans to conduct a two-month propaganda campaign throughout the country to spread the word about land reform. In a gesture to improve relations with the legislature, Thieu has made an effort to give the Assembly as much credit as possible for its role in passing the law.

Thieu clearly hopes that a new land-reform program will increase support for the government in the countryside. Taken together with other government programs aimed at improving conditions in the provinces, land reform may eventually create some new support, but this will depend on how the program is actually implemented.

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HANOI BACKS SIHANOUK AGAINST CAMBODIAN REGIME

Sihanouk has indicated that he will try to wage an active campaign to bring down the Lon Nol government, specifically through the formation of a "government of national unity" and a "national liberation army." In his appeal issued in Peking on 23 March to the Cambodian people to rally to his "liberation movement," Sihanouk promised that his followers would receive arms, ammunition, and training to enable them to overthrow the government. He also stated that socialist countries would lend "formal support" to this effort, which he implied would be carried out in cooperation with Communist forces.

Sihanouk's appeal of 23 March probably was cleared with North Vietnamese Prime Minister Pham Van Dong, who was in Peking at that time. Moreover, an official statement by Hanoi on 25 March firmly endorsed Sihanouk's plans, indicating that the Vietnamese Communists are prepared to tighten the screws on Phnom Penh. As further proof of this intention, the Vietnamese Communists are withdrawing most of their diplomatic personnel from Phnom Penh.

At a minimum, Hanoi probably hopes that its support for Sihanouk will foster doubt among

the new government's supporters and thereby shake the resolve of its leaders. The declaration of support was so strong and unambiguous, however, as to connote a willingness to back Sihanouk with some kind of military action if it is required to reverse recent events in Cambodia.

The government, for its part, is continuing to consolidate its power, and the army has been ordered to crush any action by Sihanouk to resume power. The government also has suspended certain constitutional freedoms for six months and is removing actual or suspect followers of Sihanouk from positions of responsibility. In addition it is denigrating Sihanouk and his entourage, thus reducing prospects for a future accommodation with the Prince.

Phnom Penh has also shown signs of adopting a more sober approach to its most pressing problem by relaxing somewhat its insistence on the withdrawal of Vietnamese Communist troops. It has called for "official negotiations" with the Communists to "demand" a pull-out, and also has asked the Geneva co-chairmen to "reconstitute" the moribund International Control Commission to meet the threat of foreign troops on Cambodian soil.

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CHINESE REMAIN QUIET BUT PRODUCTIVE IN BLACK AFRICA

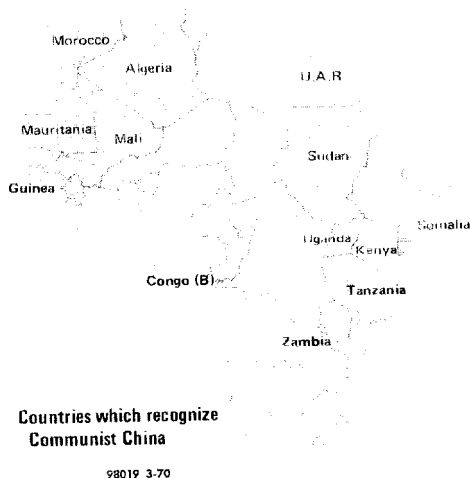
Peking, despite its preoccupation with more pressing foreign and domestic problems, has continued over the past year to devote considerable attention to improving its position in certain African states. In recent weeks, the Chinese have entertained a high-ranking emissary from Congo (Brazzaville), renewed a several-million - dollar, interest-free credit with the semiautonomous Zanzibar government in Tanzania, and delivered a shipment of military vehicles and small arms to Guinea.

This activity is the latest reflection of Peking's low-keyed and conventional diplomatic effort in black Africa--one of the few bright spots in the largely bleak context of Chinese foreign affairs. The Chinese, in general, have abandoned their unproductive, blatant attempts of the early and mid-1960s to instigate radicalized revolution and subversion throughout Africa in favor of a more realistic approach to polit-

ical conditions across the African continent. This has led Peking to develop cordial relations with several black African governments, particularly those that are not overly dependent on the West or on the USSR, that pursue a relatively militant foreign policy line, and that are willing to permit a substantial Chinese presence in their countries.

Peking generally did not allow the "Red Guard diplomacy" of 1966-67 to jeopardize its developing relations with these states and has continued to give high priority to its diplomatic efforts in this area. Last May, for example, Chairman Mao, in an unusual personal appearance, formally greeted the ambassadors to China from Peking's foremost "African friends"--Tanzania, Guinea, Congo (B), and Zambia. Over one third of China's new ambassadorial corps sent out following the diplomatic hiatus during the Cultural Revolution were posted to African states, and a number of African dignitaries were given a particularly warm welcome by Mao and other Chinese leaders during Peking's National Day ceremonies last October.

Meanwhile, the Chinese aid effort in Africa is moving along steadily. A high-ranking Chinese delegation that visited Tanzania and Zambia late last year reaffirmed China's commitment to construct and finance the 1,200-mile TanZam railroad--Peking's largest single aid project in the non-Communist world. More recently,



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the Chinese agreed to undertake another railway project--the rehabilitation of a major portion of the 450-mile Conakry-Kankan link in Guinea.

In the realm of military assistance, Peking has become the chief supplier of arms, equipment, and training to Tanzania's security forces. Chinese success there was underscored by the departure around the turn of the year of Canadian and Soviet military advisers.

The Chinese have also continued their low-level military aid to a few African insurgency groups operating against white minority governments. This effort is designed in large part to win the confidence of those African states that are strongly committed to black self-determination--most notably Tanzania and Zambia.

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PHILIPPINE STUDENTS PUSH POPULAR GRIEVANCES

Student agitators have seized the issue of rapidly rising living costs to maintain pressure against the government. On 23 and 24 March, students in Manila disrupted traffic by stoning buses and government vehicles to protest a 50-percent rise in bus fares, the latest boost in the spiraling inflation triggered by last month's peso devaluation. Their protest probably will not win much immediate public support because of their continued resort to violence. In time, however, with a sustained and less violent campaign against these popular grievances, the students could win much wider support and significantly increase the pressure on President Marcos.

Recent demonstrations have not attracted large numbers partly because the students are preparing for final examinations. More students will be free for street action, however, after schools close for annual vacations in a few weeks. Many will go home to the provinces, but the militant core of agitators will remain on the scene.

Student leaders plan to tighten their organization during the vacation period. Those who return to

their homes outside Manila will conduct "teach-ins" to win wider popular support and to erase the image of violence that the public presently has as a result of the recent demonstrations. Students may be in a position to push their grievances more effectively when the new school year begins in July. Continued rises in the cost of living should provide moderate student leaders who until now have been overshadowed by violence-prone radicals, with an issue they could push responsibly to gain the substantial public support vital to their cause.

President Marcos, however, rather than trying to meet public dissatisfaction with specific steps to ease the economic situation, might turn to drastic measures such as the imposition of martial law. He remarked last weekend that the possibility of a "confrontation" with domestic Communists could necessitate emergency measures. This step would not only solidify popular opposition to him, but would also weaken support from the non-political military, which has been the principal moderating influence on him in the current crisis.

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TAIPEI WORRIES ABOUT ITS INTERNATIONAL POSITION

The enunciation of the Nixon Doctrine last July, together with the beginning of US disengagement from Vietnam, generated much apprehension in the Nationalist Chinese leadership about the future of US diplomatic and political support. These fears now appear to have crystallized as Taipei has been faced with a series of what it considers the first concrete manifestations of this new and, for it, ominous turn in Washington's Asian policy.

The most damaging development, from the Nationalist viewpoint, has been the resumption of the Sino-US talks in Warsaw. Taipei has opposed these sessions since their inception in 1955, considering them tantamount to an open American policy of "two Chinas." The Nationalists, however, clearly regard the current series of meetings as a far more serious matter than those in the past, when the talks took place against a background of impasse and mounting US military involvement in Asia. Already disturbed by Canadian and Italian political overtures to Peking and signs of slippage in its position in the United Nations, Taipei probably judges that almost any sign of significant progress at Warsaw will lead to a substantial erosion of its diplomatic position and sharply discredit its claim to represent all China, a position the regime has used to justify its 20-year monopoly of political power on the island.

Despite continuing signs of pessimism and dismay at the highest levels of the Nationalist government, however, Taipei thus far has stopped short of a blatant public display of pique toward Washington.

Its response to the US to date has consisted of predictable expressions of concern through diplomatic channels, muffled references in the local press to US "appeasement," and official efforts to coax the US to acknowledge its political and military commitments to Taiwan. During the past week, for example, Taipei has focused its attention on the motion now before the US Senate to repeal the 1955 "Formosa Resolution." Nationalist Foreign Minister Wei, in a conversation with the US ambassador in Taipei, expressed concern over the Nixon administration's failure to oppose the motion, implying that Taipei views the matter as a possible first step toward US cancellation of its commitment to Taiwan. Wei then requested written assurances that its repeal would not affect US defense obligations. He also asked Washington to do what it could to minimize publicity on the Senate proceeding, out of deference to the Nationalist government's "internal problems"--a revealing indication of the leadership's fear that an international setback will adversely affect the morale of the political and military establishment in Taiwan.

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EUROPE

Four-power talks on the status of Berlin began on the 26th with Soviet Ambassador to East Germany Abrasimov speaking for Moscow. Presumably, the Soviets will be chiefly interested in reducing Bonn's official presence in West Berlin and in gaining for themselves a share of responsibility for the affairs of the city.

On 19 March Moscow issued the most authoritative indictment of China since the Peking talks began. An article in Pravda puts the Chinese on notice that Soviet patience in the stalemated discussions is almost exhausted. The Chinese have not responded to the article and continue a standdown on anti-Soviet polemics.

Moscow is evidently waiting for the dust to settle in Cambodia before moving forcefully in that situation. The Soviets are dealing with the new government, but they have also publicized Sihanouk's call for International Control Commission supervision of a nationwide referendum. Moscow has been silent, however, on Sihanouk's statement in Peking that suggested the deposed leader might set up a national liberation movement in exile.

Budapest announced a sizable amnesty that includes provisions for reconciliation with many of its defectors in the West. The amnesty is part of the regime's efforts to gain the support of Hungarians at home and abroad for the current festive year, which combines both the anniversary of the Soviet liberation and the Christian millennium.

Romanian leader Ceausescu this week sharply attacked all levels of the agriculture sector for failing to meet the needs of the economy. In a report to a party central committee plenum, Ceausescu admitted the regime's neglect of agriculture but demanded better performance for the 1970s. The mediocre agricultural year in 1969 caused domestic shortages and reportedly produced widespread criticism of the regime's policies, and perhaps of Ceausescu himself. Several high-level government officials have lost their jobs as the first step toward rectifying the situation.

The INTELSTAT conference recessed on 20 March, having reached agreement on the principles of a compromise on the divisive issue of how the organization should be managed. A working group will meet in May to draw up a draft text, and the conference itself may reconvene in September.

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ITALY'S CABINET CRISIS EASING

Prime Minister - designate Mariano Rumor's success in securing the backing of the Christian Democrats, the Socialists, the Unitary Socialists, and the Republicans makes it likely that he will be able to form a new center-left government, thus ending the cabinet crisis that began on 6 February. The earlier efforts of Aldo Moro and Amintore Fanfani to form a new government were unsuccessful but served to ease Rumor's task.

Bargaining is now under way over the allocation of ministerial and other posts. Christian Democrat Moro and Socialist Pietro Nenni seem to be the leading contenders for the Foreign Ministry. Both have previous experience in the post and it is not likely that either would initiate any major change in Italian foreign policy.

The establishment of a new government without resort to national elections will permit parliament to continue work on partially enacted economic, administrative, and social reforms. The most important bills now in process are those legalizing divorce, reforming the tax structure, decentralizing some government institutions, and reforming the state universities. New elections would have wiped out most of the work done on these

bills by the present parliament, whose normal term would run until 1973.

Regional and local elections now are expected to be set for late spring. Every Italian party--but particularly government parties and their chief opponent, the Communist Party--will seek to exceed past records in these elections to strengthen their respective claims to a voice in government. During the recent weeks of crisis, the Communists have favored a two-party government coalition of Christian Democrats and Socialists rather than the projected reconstitution of the four-party, center-left coalition. The Communist Party is probably relatively well satisfied with its immediate prospects, however, inasmuch as the tentatively scheduled regional elections are likely to result in Communist-dominated governments in Tuscany and Emilia Romagna, and perhaps also in Umbria.

On the economic front, the chief concern of a new Rumor government would center on the threat of too rapid an increase in domestic prices and the need to control an outflow of capital. Favorable economic factors are the marked decrease in strikes and the resurgence of industrial production in the early part of the year.

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BONN SEEKS TO BROADEN TRADE TIES WITH EASTERN EUROPE

In spite of faltering negotiations with Warsaw on a long-term trade agreement, Bonn continues to seek broader trade opportunities there and with other Eastern European countries. The recent trip to Warsaw by two senior West German officials apparently was designed to convey Chancellor Brandt's continuing desire for a long-term economic agreement with Poland. Bonn failed to offer any significant new economic concessions, however, and all that resulted was a finalizing of commodity trade lists for 1970. The protocol for this trade, expected to be signed this week, will include some \$20 million worth of quota increases granted by Bonn last year, as well as additional increases for 1970 amounting to some \$14 million.

The chief of Bonn's trade mission in Warsaw says the Poles cannot expect to obtain preferential interest rates on German credits, but must accept current commercial rates. He stated that Bonn could provide some \$120 million in credits this year, and might consider upping them to \$550-800 million over a five-year period. At current high interest rates, however, Warsaw would be unlikely to use this amount of credit. Bonn also continues to resist Polish efforts to eliminate all German quotas from any long-term agreements, while at the same time considering increased quotas only for Polish manufactured goods produced by their joint ventures.

In response, the Poles stiffened their position on some trade issues. They demanded increased German quotas and reduced duties for Polish manufactured goods. They also withdrew their earlier agreement to recognize West Berlin as part of the area covered by the prospective long-term economic agreement. A German official believes this latest Polish tactic may be related to the political talks between the two countries as well as to hopes of eventually wresting greater economic concessions from Bonn. No date was set for the resumption of the trade talks and they could be delayed by similar talks with Hungary scheduled to begin in Bonn on 6 April. Annual trade negotiations with Czechoslovakia and Bulgaria are also planned.

The visit of Hungarian Foreign Trade Minister Biro last week set the stage for detailed negotiations for a long-term trade agreement and possible technical cooperation.

Bonn, during a late February visit by Romania's foreign trade minister agreed in principle to guarantee private untied credits of \$27 million to Bucharest. The trade minister, however, was dismayed at the high interest rates, and Romania may not take up the offer at this time. Bonn's willingness to guarantee credits not earmarked for any particular use, however, confirms its desire to open the West German capital market to East European countries.

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SOVIETS MOVE TO SLOW EUROPEAN ECONOMIC INTEGRATION

Soviet hostility toward Western European unity is undiminished. Moscow had been relatively quiet on this issue until fairly recently, probably because it wished to avoid provoking any quarrels that might complicate its pursuit of East-West detente on other diplomatic fronts. Renewed movement toward enlargement and strengthening of the European Communities (EC) has apparently convinced the Soviets, however, that further silence and inactivity might prove costly to their long-term interests in Europe.

Moscow has been particularly disturbed by progress toward negotiating with the UK on membership and by the decision to grant limited budgetary power to the European Parliament in 1975. It fears that the EC is on the verge of a new expansion and accretion of strength. Since the turn of the year, the EC has been the subject of violent attacks in the Soviet press. Economically, it is criticized as a "closed economic grouping" that will bar the way to increased East-West cooperation. Politically, it is denounced as a channel for American influence in Europe or, alternatively, as a cat's-paw for a resurgent Germany.

Where it has been able to do so, the Soviet Union has tried to bar further coalescence around the EC. This was clearly demonstrated by Moscow's apparent vetoing of Finnish membership in the nascent Nordic Economic Community (Nordec) only weeks before a treaty establishing the organization was to have been signed.

Although the Finns officially deny having been subjected to Soviet pressure, they have announced that they will not sign the Nordec treaty.

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The Soviets have also been active elsewhere. Several authoritative articles in the Soviet press over the past few weeks have warned the neutral Austrians against forming "any alliance" with the EC. The USSR has made the pointed argument that this would be contrary to the State Treaty that established Austria's independence and its subsequent commitment to permanent neutrality. The Austrians profess to believe that they still retain some freedom of maneuver in the absence of a formal Soviet protest, but there is little reason to doubt that Moscow would make such a protest if it became necessary.

Moscow's opposition is based both on its appreciation of the potential weight of a united Western Europe on the world balance of power and on its fear that economic union might limit Soviet access to the vital technological and industrial resources of Western Europe. This fear is not likely to be eliminated quickly.

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ALBANIAN INITIATIVE TOWARD EUROPE

The Hoxha regime has taken a major step toward bringing Albania into closer economic and political contact with non-Communist Europe. Albanian officials have recently approached Denmark, Belgium, Norway, Greece, and possibly the Netherlands about establishing diplomatic relations.

Initial response to the Albanian overture has been generally favorable, with Copenhagen and Oslo the most receptive. Resumption of Greek-Albanian relations is only a long-range possibility, however. Although Greek-Albanian economic ties have improved over the past year, Greek claims to southern Albania and the fact that the two are still technically at war inhibit any immediate political rapprochement.

The demarche to these NATO countries is a striking example

of the Hoxha regime's policy of resuming relations with foreign countries as a means of gaining greater political flexibility and lessening dependence on distant Peking. Tirana began this policy when the occupation of Czechoslovakia raised fears over Albania's vulnerability. Since the events of August 1968, Tirana has steadily moved out of its largely self-imposed isolation.

Albanian action thus far has not generated strains in the Sino-Albanian axis; on the contrary, its initiative may well complement the alliance by providing Tirana with new platforms from which to expound standard Sino-Albanian propaganda. The new contacts could also open up trade that will hopefully satisfy some of the country's growing economic needs, which are now almost entirely met by Peking. 25X1

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MIDDLE EAST - AFRICA

Military activity continued at a fairly high level along the Arab-Israeli cease-fire lines this week.

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A series of largely accidental incidents between armed Palestinian commandos, Lebanese villagers, and government security forces has again threatened the delicate Christian-Muslim power balance in Lebanon. Tensions are strained on both sides as the government seeks to mediate the disputes.

Fatah leader Yasir Arafat arrived in Peking last weekend, presumably in search of weapons and more formal political recognition for his fedayeen group. The Chinese gave him a warm welcome and will probably offer propaganda support and some arms.

The Iranian Government appears to be preparing the people for a possible settlement of its claim to Bahrain through UN auspices. The press has emphasized the Shah's willingness to respect the will of the people of Bahrain, and newspapers in Tehran and London speculated that the UN had already been asked to consult with the Bahrainis. Settlement of the Iranian claim would remove another obstacle in the path of Arab-Iranian cooperation in the Persian Gulf.

The institution of criminal proceedings by the Tunisian Government against Ahmed Ben Salah, the discredited former economic chief who was ousted from the government and the party last fall, seems almost certain to embroil Prime Minister Ladgham in serious political controversy. Popular confidence in Ladgham has already been eroded by his failure to move ahead with essential economic and social programs.

The presidential election in Dahomey moves into its final stage this weekend, and there are growing indications that the winner will be Hubert Maga, a northerner who was the country's first president. With the increasing amount of fraud, violence, and tribal frictions that have accompanied the voting, however, the chances of military intervention have also increased.

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REACTION TO DECISION ON ISRAEL'S REQUEST FOR PLANES

The reaction of Arab public media to the US statement on its decision to grant economic aid but not to sell additional F-4 Phantoms and A-4 Skyhawks to Israel was almost universally negative.

Cairo radio described the announcement as "an unskillful piece of propaganda," and said that the US decision lost even its temporary value because of Secretary Rogers' announcement of financial aid to Israel and a passage in the statement interpreted by Cairo as promising that the US would urgently supply Israel with planes to replace those it might lose. Al-Ahram described Rogers' statement as an unacceptable attempt to deceive the Arab world. Other Egyptian public media took the general line that it was only a question of time until the Israeli request would be fulfilled.

Baghdad's domestic radio stated that there was nothing in recent statements by President Nixon to show a clear rejection of "Zionist demands" and claimed that the US "agrees to supply the Zionists with more arms." A Damascus domestic broadcast commented that the US announcement of financial assistance for Israel surprised no one and that the postponement of a positive response to the Israeli arms request did not mean refusal. The Beirut press, although less extreme than other Arab media, was for the most part critical and included digs at US policy in its coverage of the story.

Official reaction in Arab capitals to the US decision was mixed. Saudi Deputy Foreign Minister Saqqaf called the decision "a great disappointment" and said that the economic aid to be given Israel was as critical to Israel's continued ability to continue "aggression" as direct arms support. Although Jordanian Prime Minister Talhuni was said to be clearly pleased by the decision, his over-all reaction was described as reserved and "unadventuresome." Premier Karami of Lebanon said the decision contained a "positive aspect which must be acknowledged," but added that the decision to extend economic aid did not inspire confidence. Tunisian Foreign Minister Bourguiba expressed appreciation for the "responsible and balanced" decision, and said he hoped the US would not be disappointed by the reaction in certain Arab circles.

Both public media and official Israeli reaction to the US decision was voiced in a tone of restrained concern. The Israelis, on the whole, appear to have found Secretary Rogers' statement less distasteful than many of them had feared. Although characterizing the decision as a "policy mistake," they have indicated at least a degree of satisfaction with some aspects of the statement, including the promise of financial aid. The semiofficial Davar reported that the secretary's "hint" that the US was prepared to furnish Israel planes on short notice if circumstances so warranted was greeted with satisfaction in Jerusalem.

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In contrast with the adverse Arab reaction, Moscow responded to the US decision with restraint. The Soviets were preparing until two weeks ago to slash away at Washington for giving Israel additional Phantoms. When it became apparent, however, that the response would probably be negative, the Soviet press was hard put to explain its earlier

predictions. As a result, Soviet comment was unusually muddled, with different articles and broadcasts taking divergent lines as to what had prompted the US stand. Soviet propaganda was unanimous, however, in charging that the decision represented no shift in Washington's unstinting support for Israel. [REDACTED] 25X1

CONGO (BRAZZAVILLE) REGIME FOILS ANOTHER COUP ATTEMPT

President Ngouabi's government remains in control following the failure on 23 March of a coup attempt by a small band of Congo (Kinshasa) - based exiles and a few coconspirators in Brazzaville. For a while at least, this incident will probably strengthen the position of leftist-extremists in the regime and discourage other dissidents from staging another attempt.

The government was never seriously threatened and its officials were never in the custody of the coup group, which was made up of tribal and ideological opponents of the Ngouabi regime. The group, led by Lt. Pierre Kiganga, succeeded only in seizing control of the Brazzaville radio station, which it held for about two hours. Ngouabi, erstwhile commander of the Brazzaville army's paracommando battalion, apparently personally led the army's suppression of the coup. Kiganga and many of his followers were killed. Despite probable sympathy for the dissidents among elements of the Brazzaville military, no

significant support for the coup materialized.

While the plotters held Radio Brazzaville, they pleaded in vain for help from Kinshasa and from other neighboring countries. Kinshasa did not have an adequate military force poised for immediate deployment across the river at the time of the coup. It remains doubtful whether President Mobutu intended to send troops; perhaps he planned to do so in the event that the plotters were clearly gaining control.

Although the incident has thrown Ngouabi and his extremist partners closer together for the time being, eventually it may sow more discord between them. The basic differences that exist between the opportunistic Ngouabi and the Communist-oriented radicals have not been altered. The coalition may well be tested if either side seems to be gaining advantage from the episode itself or from the increased security measures or the trials and purges that are sure to come. [REDACTED]

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BOTH SIDES REMAIN WARY IN JORDAN-FEDAYEEN DISPUTE

The more extreme fedayeen groups in Jordan appear to be taking precautions against another brush with the King, and are said to be trying to rally additional public support for their side.

All of the commando groups are believed to have continued arming private citizens, especially Palestinians. The Habbash wing of the Popular Front for the Liberation of Palestine (PFLP) is said to be organizing a militia divided into groups of 12 to 15 men, each armed with an automatic weapon.

On 12 March, representatives of Fatah and the PFLP discussed the recent agreement between the fedayeen organizations and the state. Fatah apparently went along with

parts of the agreement, but the PFLP rejected it entirely.

King Husayn, meanwhile, continues to talk about putting together a more effective government. In a conversation with the US ambassador on 24 March, the King implied that he considers the present cabinet "abysmal," and said that a good government is the key to control of the fedayeen. Husayn stated that the commandos were behaving "much better" since the recent confrontation, although it would be necessary to keep a careful eye on them. He pointedly added that he would be able to "deal conclusively" with the fedayeen, should that prove necessary.

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ARAB OIL CONFERENCE ENDS ON MODERATE NOTE

The first Arab Petroleum Congress since the Arab-Israeli war of 1967 ended on an unusually moderate note in Kuwait this week.

Under the guidance both of the Egyptians, who controlled the meetings through sheer numbers, and of the Kuwaiti hosts, the congress offered something to everyone, and stressed the priority of economic interests over political differences.

The radical elements that have disrupted past congresses were given little more than token recognition. The fedayeen representatives played a quiet role, presumably because of recent Kuwaiti financial contribu-

tions, and independent radicals failed to turn the technical discussions into a political circus. An attempt by one Libyan delegate to toady to the Soviets was countered with a riposte by the Libyan national oil company representative, who asked when Eastern Europe would be open to Arab oil sales.

The congress closed in an atmosphere of calm unusual in Arab conclaves. The Arabs' willingness to strive for an accommodation between oil producers and Western consumers, even in a time of political frustration, may thus have reassured Western governments, oil men, and potential investors.

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TWO OF INDIA'S STATE GOVERNMENTS FALL

State governments in West Bengal and the Punjab have fallen in the past two weeks, and in Kerala the ruling coalition has narrowly avoided defeat on a vote of confidence.

Rioting broke out in West Bengal after the government fell there, and order was restored under "president's rule"--the administration of the state by the central government. The rioting was inspired mainly by the Communist Party of India/Marxist (CPM), the more radical of India's two major Communist parties. The CPM had dominated the multiparty coalition government that fell on 16 March.



In the Punjab, the coalition government fell when the two factions of the chief minister's party disagreed on the selection of candidates for the upper house of India's Parliament. Another factor, however, may have been dissatisfaction with the price in both land and money the Punjab will have to pay for the city of Chandigarh, which was awarded to the state last January. Chandigarh is now the joint capital of the Punjab and Haryana.

In Kerala, a coalition led by the more moderate Communist Party of India survived a vote of confidence only because of last-minute shifts by a handful of deputies. The government is still highly vulnerable, however, to attacks by the CPM, which holds the largest number of seats in Kerala's state assembly.

In 1969, mid-term elections were necessary to end president's rule in both the Punjab and in West Bengal. In the Punjab, where both sides now claim a majority, there is a good possibility that a new, but probably unstable, government can be formed without resorting to either president's rule or new elections. At some point, however, Prime Minister Gandhi will probably have to call elections in West Bengal. In that event, it seems likely that 25X1 the CPM will strengthen its position there, which can only mean further trouble.

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THE SOMALI REVOLUTION CREAKS ALONG

The Supreme Revolutionary Council (SRC) has so far produced meager results in its attempts to act on the numerous problems it inherited following the coup of October 1969. Despite some initial popular enthusiasm, the military regime has failed to win significant support. The discontent that has now developed throughout Somalia could in time foster a move against the regime by its opponents.

Somalia's economy is in worse shape than before the coup. There is little hope that sufficient domestic revenue will become available to get the economy moving, and the outlook for foreign aid is not much better. The government's response thus far has been to initiate harsh austerity measures, which in turn have only heightened discontent in the business community and among civil servants who are to be dropped from the government payroll.

Other sources of discontent include the tribal groups, who are unhappy at their loss of influence in the government and in Somalia's highly tribalized society. The focus of tribal opposition now is centered in highly volatile northern Somalia, where there have been recent signs of open opposition. Even early student enthusiasm has cooled considerably.

The SRC, in order to tighten its control, has enacted unpopular repressive measures that give it virtually unlimited powers of detention, trial, and punishment over anyone suspected of opposition. All private organizations, including political parties, labor unions, and youth groups, have been disbanded. Army and police officers have replaced local civilian administrators, and suspect officers have been posted away from Mogadiscio. Some special military supervisors are already at work in the ministries overseeing civil servants.

For the time being, the SRC does not appear to be in danger of losing its grip.

The council itself remains an enigma, however, and it is unclear exactly where the power rests or where the council is heading. After five months, General Siad, the council president and head of the government, has apparently emerged somewhat stronger, but all 25 members seem still to be concerned primarily with jockeying for position. Major personnel changes in the council are bound to come and could produce a serious disarray in view of prevailing factionalism and rivalries.

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WESTERN HEMISPHERE

Kidnapings of diplomats by terrorists made front pages in Latin America this week. In the Dominican Republic the US Air Attaché was seized by a Communist group that demanded the release of more than 20 prisoners in exchange. The Paraguayan consul in Corrientes Province, Argentina, was kidnaped by the Argentine Liberation Front, a new extremist organization. Ransom was set at two Argentine terrorists. Officials in other countries have received threats.

As the tactic of kidnaping becomes standardized, the security services are becoming increasingly reluctant to meet the ransom demands. In Argentina, officials argue that President Stroessner of Paraguay often uses consular posts to get political enemies out of the country and might not mind if Argentina refused to release the terrorists. In the Dominican Republic, the government balked at freeing the prisoners within the country, as demanded by the kidnapers, and plans to fly them to Mexico. There is much discontent at the working level among officers who must risk their lives to capture terrorists only to see them set free. In Chile, where some diplomats have been threatened, the government points out that the executive has no power over prisoners and therefore could not approve their release. Prisoners are in the custody of the judiciary, which would have to make the final decision.

In Guatemala Carlos Arana was confirmed as president-elect by the Congress. He is scheduled to take office on 1 July.

Black power protests in Trinidad are now focusing on the social and economic inequities that plague most Caribbean countries. Prime Minister Williams has attempted to defuse the continuing protests by aligning himself with the movement's "legitimate demands," but he is still generally identified with the status quo. His predicament—how to maintain the stable image that has appealed to investors and yet attract the support of the growing black power movement—is becoming a common one for Caribbean leaders. Williams, like others such as Prime Minister Pindling in the Bahamas, will probably have to move toward a policy emphasizing economic nationalism, in addition to adopting the rhetoric of the movement.

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KIDNAPING OF US ATTACHE WILL ADD TO DOMINICAN UNREST

The kidnaping of the US air attaché on Tuesday will aggravate the public order problems the government already faces during this pre-election period. Moreover, President Balaguer's announcement on 25 March that he will seek a second term in the elections on 16 May will further fuel domestic unrest.

The kidnapers are still unidentified, but presumably were affiliated with the Communist Dominican Popular Movement (MPD), the most activist and terrorist-prone of the several Communist factions. All of the 20 prisoners on the ransom list have been identified as members of the MPD.

Despite the turmoil arising from the kidnaping, President Balaguer went ahead with his announcement that he will seek re-election. In an attempt to head off opposition allegations that he will not provide free elections, Balaguer declared that

he will hand over the presidency to the Supreme Court president during the campaign. Balaguer ignored the constitutional successor to the presidency, Vice President Lora, who has broken with Balaguer and is seeking the presidency on an opposition ticket.

In recent weeks, there have been killings by both the Communists and the military, and continued civilian-police clashes. Balaguer's long-awaited declaration is expected to generate further protests. The military, however, is probably more strongly united than ever behind Balaguer as a result of the President's uncompromising refusal to bow to the original demands of the kidnapers to release the 20 prisoners inside the country. Security forces can be expected to deal aggressively with any disturbances.

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EL SALVADOR - HONDURAS DEADLOCK CONTINUES

Continuing border incidents and the inability of both countries to reach final agreement on the establishment of a demilitarized zone have stalemated bilateral and common market talks

for the past two months. If current efforts to end the impasse on troop withdrawals are successful, however, the stage will be set for resumption of negotiations on normalizing relations.

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Although the spate of border clashes does not derive from either government's aggressive designs, both sides have milked the incidents for political advantage. The Salvadoran Government capitalized on the incidents and on its July "victory" over Honduras, for example, during the campaign for the congressional and municipal elections on 8 March. With the election out of the way, however, the Salvadorans have less incentive to keep tension high and they now are ready to resume negotiations.

Honduras apparently still finds tension politically useful. There is strong evidence that President Lopez wants to continue in office despite constitutional provisions forbidding a second term, and he may be trying to perpetuate an aura of crisis in order to give himself an excuse to ignore the constitution and avoid normal presidential elections. The mood of fear and uncertainty that is spreading among the people is not entirely of government creation, however. The news media have been playing up the

border clashes, and a significant segment of Honduran officialdom, including government leaders close to the President and in the Foreign Ministry, plus officers in the General Staff, is persuaded that the Salvadorans are planning another invasion.

The Hondurans have refused to continue formal negotiations on bilateral or common market matters until the border situation is defused. This makes agreement on a demilitarized zone a necessary first step. Both sides have agreed in principle to this step, but they have not been able to agree on details. The most important sticking point is Salvador's refusal to remove its National Guard troops from border areas. The Hondurans, remembering the aggressive performance of this well-disciplined, well-armed force, have been unwilling to accept the Salvadoran contention that the Guard merely exercises a police function. Despite differences, however, discussions are continuing.

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DIRECTORATE OF
INTELLIGENCE

WEEKLY SUMMARY

Special Report

Venezuela's President Caldera - A Year of Frustration

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VENEZUELA'S PRESIDENT CALDERA—A YEAR OF FRUSTRATION

Rafael Caldera, Venezuela's first Social Christian president, is entering the second year of his five-year term having achieved little more than mere survival. Hobbled from the start by a hostile opposition majority in Congress, beset with persistent labor and student strife, and plagued by a sluggish economy, he waged what amounted to a holding action. He has been guided by pragmatism rather than by the vague and conflicting ideology of his party. His early blunders in supporting labor's excessive demands were somewhat counteracted by a tough stand toward labor at the end of the year. He has followed established foreign policy lines in attempting to gain access to the vital US market for Venezuelan oil and in promoting diplomatic links with European Communist nations, while at the same time walking the Essequibo tightrope: pushing Venezuela's claims to more than half of Guyana's territory by all means short of overt military actions.

Thanks partly to his year's experience and partly to a recent working arrangement with the major opposition party of former president Leoni, Caldera's prospects are somewhat brighter than during the first year. He will have to overcome serious foreign and domestic problems, however, if he is to silence the voices of military discontent that pose a persistent threat to his government.

INTRODUCTION

On 12 December 1968, the day after he was officially proclaimed the winner of Venezuela's presidential election, Rafael Caldera Rodriguez paid courtesy calls at the homes of the three defeated candidates. He followed up these calls quickly with consultations and meetings with a variety of political, labor, and business leaders. Caldera then went out of his way to visit the military high command at the Ministry of Defense, to thank the military for their conduct during the elections, and to say that he was sure the military would always be firm supporters of democratic institutions.

His vigorous activity and the stress he laid on harmony, conciliation, unity, and the need to get

on with the job of running the country were consistent with the personality Caldera has displayed during his long participation in public life. Beyond this, they reflect his appreciation of Venezuelan political realities. Caldera won the presidency with less than 30 percent of the votes and with less than one percentage point more than his nearest rival. In addition, it was the first time in Venezuelan history that a freely elected government had turned power over to the opposition.

In addition to lacking a clear mandate, Caldera had to contend with a Congress dominated by the outgoing Democratic Action (AD) party and with a burden of debts piled up by the former administration. He also had to face a long-standing insurgency and the perennial

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student problem. Moreover, he was forced to develop his policies under the watchful and suspicious eyes of the military establishment.

The President's own political vehicle, the Social Christian party (COPEI), is a well-organized political machine. Its ideology, however, ranges from the strident radicalism of the youth wing to the practical moderation in the party's governing councils. Its electoral program necessarily was framed in vague terms and was distinguishable more in tone than in content from the AD's well-established lines of moderate democratic reform. COPEI offered some dramatic targets, such as the building of 100,000 housing units a year, but it primarily exploited the voters' fatigue with the entrenched ways of the old government by stressing the need for honesty, efficiency, and, above all, *cambio* (change).

POLITICS AS USUAL

Caldera's position as a minority president called for caution on his part, and the position of his party in Congress suggested that it would be necessary for the new government to limit its policy initiatives. His party held only 31 percent of the seats in the senate and 27 percent in the chamber of deputies, whereas the AD held a plurality in both houses. Moreover, the nine parties represented in Congress made for a diversity of forces and conflicting interests. The formation of a coalition to support government legislation would have been difficult in such circumstances, and Caldera decided to go it alone. He announced shortly after the elections that his government would eschew formal political alliances and instead would negotiate ad hoc arrangements with the opposition depending upon the legislation under consideration.

This policy of aloofness had its first test when Congress opened in March. A coalition was

hammered together for the election of congressional officers, but the election took place only after four days of frantic politicking and bitter wrangling, with COPEI's candidate emerging as president. The coalition immediately ran into trouble, however, when other parties boycotted Congress, and nearly two months passed before any further business was transacted.

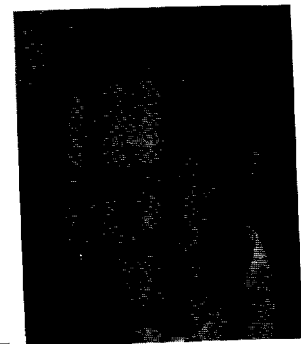
COPEI met a further congressional rebuff in July when the party's request for borrowing authority to cover government debt obligations was defeated. The opposition backed a counterproposal that drastically cut the administration's original request. This bill and a judicial reform bill aimed at limiting the President's power to make patronage appointments were passed before Congress adjourned for a three-month recess.

The second meeting of Congress, from October to December, was no more successful for the government. The only significant piece of legislation, the budget, was passed 20 days after Congress had been scheduled to adjourn. At that, it had been shorn of any items in which COPEI had a particular political interest. Thus, the first congressional session ended without the enactment into law of any important part of the COPEI program. The executive and legislative branches of government were stalemated. Caldera realized that this situation could not be allowed to

1919: date of birth
Early 1930s: student leader against Gomez dictatorship
Later 1930s: wrote Venezuela's first labor code
1941 to 1945: served in Congress
1945-46: Attorney General
1946: founded COPEI
1948-58: opposed Perez Jimenez dictatorship
1958: ran for president, coming in third
1963: again ran for president and again lost
1968: elected president

Caldera is widely respected for his honesty and for his courage in opposing dictatorship and extremism, as well as for his intellectual ability. His advocacy of Christian Democratic principles is tempered by his objectivity and realism.

President Rafael Caldera Rodriguez



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continue, as there was increasing concern that the impasse threatened the political, economic, and institutional stability of the country.

As 1970 began, COPEI and AD worked out an agreement for limited cooperation. The two parties announced that they had reached an agreement for organizing the 1970 session of Congress. In private it was admitted that they had also agreed to collaborate on specific items of legislation of basic national importance and of interest to both parties. Both sides stressed, however, that their informal agreement was not a binding pact. AD believes that a formal pact would be so unpalatable as to split the party, and it has no desire to be tainted with the government's failures. COPEI does not wish to share the power of governing or to weaken its ideological position. In spite of these hindrances to effective cooperation, both parties apparently believed that some sort of agreement was necessary to maintain stability. If the two parties can reach agreement on specific items of legislation, particularly on public works programs, the 1970 session of Congress will probably be more productive than was that of 1969.

STUDENTS AND LABOR

Almost simultaneously with Caldera's inauguration, a new force emerged on Venezuelan campuses. Student unrest was led by anarchists and independents rather than by the traditional student leaders affiliated with political parties. The most militant of the traditional leaders have been the leftists, who have used the universities as headquarters for armed rebellion against the government.

The new activists, although exhibiting a strong Marxist cast, showed no interest in traditional politics. Instead, they directed their efforts against the universities in a vague movement for "academic renovation." They resorted to wide-

spread violence in support of such demands as abolition of entrance examinations, new school buildings and facilities, and reformed curricula.

The traditional leaders, reacting to the threat to their control over student affairs, struck back by attempting to seize control of the movement. The result was that throughout 1969 universities across the nation were scenes of demonstrations, clashes between students and authorities, clashes between contending student factions, student strikes, and outright closings. The tumult was accompanied by considerable shedding of student blood at the hands of both fellow students and of government authorities.

Late in October, following four days of violence that included intermittent sniping and the burning of vehicles, army troops occupied Central University in Caracas. Since then there has been no serious student disorder. Nevertheless, student grievances remain. Charges of government repression, and, in particular, of abuse and even murder by security agencies remain a live issue. Government inattention to the academic renovation movement can be expected eventually to result in a renewal of the demands. In addition, proposals for a university reform law, that would strip students of some of their privileges are pending. When these proposals are presented to Congress, student reaction can be expected, making further disorders likely.

President Caldera was also plagued during his first year in office by difficulties posed by Venezuela's powerful and highly politicized labor movement, although this caused him less trouble than the student problem.

The government early set about wooing labor by showing partiality to labor groups as opposed to management. Labor leaders pressed their advantage, and by July labor strife was

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Venezuelan Guerrilla Group

becoming common. In some instances the government upheld strikes that were clearly illegal. Twice, for example, unions were able to obtain significant benefits by striking in disregard of valid collective agreements. This trend culminated in the first teachers' strike in Venezuelan history. Once more the government gave way, and the teachers gained virtually all their demands, including a salary increase of 45 percent.

The increasing boldness of labor had an adverse effect on the business community. The unruliness of labor, coinciding with that of the students and the stalemate in Congress, prompted one executive to remark, "We do not have a government," and other responsible observers foresaw increased labor conflict.

This prediction was borne out in early December when workers at the government-owned steel mill in eastern Venezuela went on a wildcat strike. The strike for the first time presented a clear-cut challenge to governmental authority, and Caldera could not afford to appear weak. He stated that the government would stand firm against "irresponsible" strikes, and he arrested several labor leaders and sent troops into the area. The strike was soon settled, but on terms that, once again, were costly to the government.

Although the government's show of strength in the steel strike may have had some deterrent effect on labor leaders, the contract signed in February between the oil companies and the petroleum workers granted such favorable terms to the workers that the government's initial firmness may have been nullified.

INSURGENCY

In his inaugural address President Caldera invited insurgents to abandon the armed struggle and rejoin the Venezuelan community. So low

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had the guerrilla movement fallen since its 1963-64 heyday that Caldera could be confident the guerrillas no longer posed a threat and that an appeal to them might be effective.

A dissident group of the armed wing of the Venezuelan Communist Party (PCV), the Armed Forces of National Liberation (FALN) under the leadership of Douglas Bravo, broke off from the PCV in 1966 after the PCV had virtually abandoned guerrilla warfare. Independently, guerrillas of the Movement of the Revolutionary Left (MIR) also continued in the field. During the later years of AD administration, the effectiveness of these two groups continued to decline.

Caldera legalized the PCV as one of the first steps in his pacification campaign. In addition to removing one Communist group from all ties with insurgency, the step was designed to have a divisive effect on other extremist opposition groups. The government then announced that guerrillas who abandoned their arms would receive amnesty, and it began talks, through intermediaries, with the insurgent groups. The pacification program, however, has not been successful in ending insurgency or in inducing significant numbers of guerrillas to surrender, although it may have had some divisive effect among the guerrillas.

Still, insurgency continued to decline during Caldera's first year in office. Sporadic attacks continued and several military officers and enlisted men lost their lives in ambushes, but no significant urban terrorism took place, and the guerrillas were unable to mount any sustained campaigns. The continuing decline was probably the result of a lack of foreign support, a lack of popular support, a lack of visible progress or success, and of squabbling over ideology and strategy. Possibly 60 guerrillas remain active in Bravo's FALN and 40 in the MIR, probably slightly fewer than when Caldera took office.

The legal activities of the PCV have not prospered either. The PCV is outflanked on the left by a number of semilegal groups and by the guerrillas, and on the right by the democratic parties. The party is deeply divided among an old guard principally preoccupied with loyalty to Soviet orthodoxy and a group of rebels who want to make the PCV a national party free of foreign ties.

Despite the low state of insurgency and of the Communist movement in Venezuela, the Marxists maintain a limited potential for trouble-making, especially by exerting pressure on the government through attacks on military units.

THE MILITARY

The military are President Caldera's kibitzers, always looking over his shoulder, ever ready to take his seat if he does not protect their interests. Although the military have not intervened directly in the government since 1958, the existence of a strong military establishment with a long history of intervention in government poses a potential threat to the continued development of civilian government. Since Caldera took power, there have been numerous reports of military discontent but no evidence of the meddling in government activities that took place throughout the AD's tenure in office.

The military have found much to complain about. The legalization of the Communist Party and the pacification program have been unpleasant for them. Military units that have continued to suffer casualties at the hands of die-hard guerrillas have been especially resentful. The lack of promotions, the lack of a pay raise in spite of inflationary pressures, pay raises granted to labor unions, and a sharp cutback in military expenditures have added to the military's discontent.

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Caldera's minister of defense, General Garcia, is not well regarded by many military officers. Outspoken criticism of him became so serious in August that Caldera was obliged to order the arrest of a number of officers, including the former commanding general of the army, on disciplinary grounds. The arrests stilled criticism but left a residue of resentment.

Military discontent reached a peak in October as a result of labor strikes, increasingly violent student demonstrations, a sluggish economy, and the stalemate in Congress. Government occupation of two of the most troublesome universities and the settling of labor disputes eased but did not remove the problem. Caldera further attempted to mollify the military by visiting several military facilities in the Caracas area over the Christmas holidays and by promoting 16 colonels to general.

Nevertheless, in January the Ministry of Defense was sufficiently concerned to circulate a message ordering officers on military duty to abstain from participation in political matters.

THE ECONOMY

The Venezuelan economy remains basically strong, and the slowness of its growth in 1969 was probably largely the result of business uncertainty over the political situation.

The rate of economic growth in 1969 slipped to four percent or less, as compared with an annual average of five percent in the previous five years. In addition to business caution, the slow growth rate can be attributed in part to a reduced level of government expenditures on major investment projects because of the large public debts incurred under the AD government and because of Caldera's budget difficulties with Congress.

In coming months the performance of the economy is expected to be especially sensitive to political developments. If the AD-COPEI understanding produces legislative cooperation on matters such as a public works program, the business community will probably proceed with its investment plans, thus contributing to an increase in the rate of economic growth. Conversely, continued stalemate in congress or a renewal of student or labor strife will probably result in continuing sluggishness of the economy.

Oil output, of decisive importance to the economy, was slightly lower in 1969 than in 1968. Of greater concern to Venezuela than this drop, however, is the question of the US oil import policy. The government of Venezuela aspires to an assured position for its oil in the US market and to a share in the increase in US demand for fuels. Venezuela's anxiety concerning its prospects in the US oil market has been eased considerably as a result of conversations in Washington between US and Venezuelan officials and of the import quota imposed by the US on Canadian oil.

FOREIGN RELATIONS

Caldera's foreign policies have reflected broad national interests rather than ideological interests or personal style. They have differed only slightly from those of his predecessors. He stresses a line of "independence," by which he means negotiating with the US as an equal, preferably in a bloc with other Latin American nations.

The overriding importance of oil has inevitably cast Caldera's policies in the mold formed by the Betancourt and Leoni administrations. Defense of Venezuela's position in the US oil market was sharpened for Caldera, however, by the review of the oil import policy of the US initiated

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by President Nixon. In late 1969 and early 1970 his government made urgent representations, Caldera himself pleading Venezuela's case to US officials on several occasions. Favorable treatment accorded a commission sent to Washington in February and President Nixon's favorable statements on Venezuelan oil have greatly eased Venezuelan concern for the time being.

Caldera also continued negotiations begun by the AD administration for the re-establishment of diplomatic relations with the Soviet Union. His government has proceeded realistically and without haste with these negotiations for more than a year, and relations now seem on the verge of being re-established. Caldera is aware of the dangers of a large Soviet presence in Venezuela and has insisted on limiting it within the framework of a formal agreement.

Caldera has not changed the previous administration's policy toward Cuba, although relations have not been as acerbic as during the AD period. Venezuela continues to express the hope that Cuba can be reincorporated into the inter-American system, but it insists that this can be done only within the framework of the Organization of American States and only after Cuba has stopped intervening in the internal affairs of other Latin American countries.

Caldera's most sensitive foreign relations issue has stemmed from Venezuela's claim to the Essequibo region of Guyana. In 1962 Venezuela reasserted its claim to this region, alleging that the award of the territory to Great Britain in 1899 by an international tribunal was invalid because of evidence of fraud that later came to light. In 1966 Venezuela and Great Britain, acting on behalf of Guyana, which became independent that year, agreed to meet regularly for four years. If at the end of that time there had been no agreement, the disputants would have three months to find a

solution in other ways. Failing that, the case would be referred to the United Nations Secretary General.

After four years of fruitless discussions, the Mixed Border Commission expired last month with an agreement to delay submission of its report for three months to allow a period of direct negotiations between Venezuela and Guyana. The first meeting under this agreement was held on 10 March, but apparently little, if any, substantive progress was made.

Venezuela has done more than talk to assert its claim to the Essequibo. At the close of the AD administration, Venezuela engineered an uprising in the region. According to plan, Venezuela was to heed the call of the native rebels for assistance. When the United States became aware of the plan and exerted diplomatic pressure on Venezuela, the uprising failed because of the withdrawal of Venezuelan support.

Venezuela did not lose interest in the Essequibo, however. With President Caldera's blessing, the military have been active along the border. A road has been built paralleling much of the frontier, and since late 1969 a substantial troop build-up has taken place. On several occasions shots have been exchanged between Venezuelan and Guyanese frontier troops.

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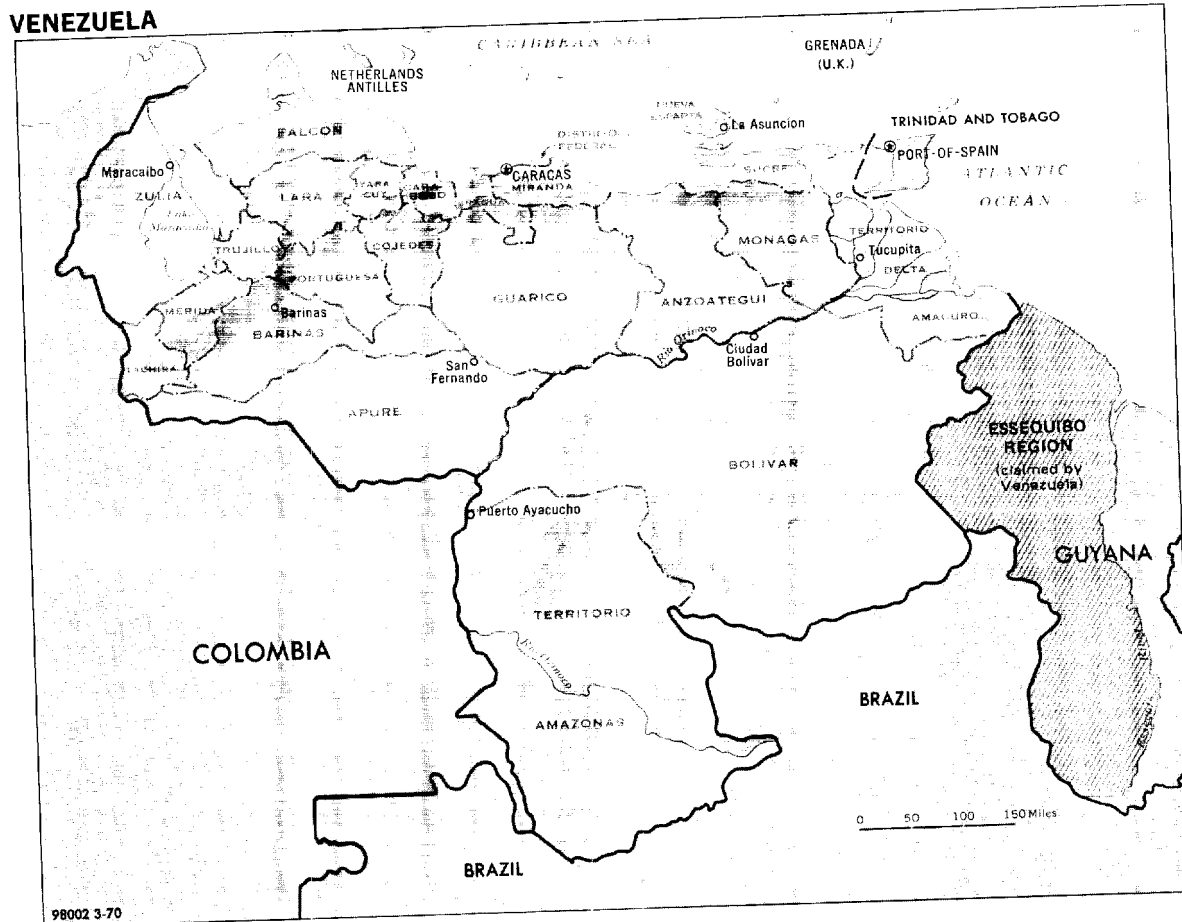
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The Venezuelan force on the frontier is probably adequate to occupy key points in the Essequibo region. There is no indication, however, that an invasion is imminent. President Caldera probably prefers an aggressive but peaceful program of long-range penetration of the region. Joint Venezuelan-Guyanese economic development of the region would be the essential element in his program. There are, however, hawkish elements, both civilian and military, who have been pressing hard for a quicker, more direct solution. If the direct negotiations now under way with Guyana do not progress in favor of Venezuela, Caldera may be forced to yield to the hawks. This is the single issue most susceptible of arousing nationalist emotion that could trigger a coup.

OUTLOOK

Perhaps President Caldera's greatest achievement is having remained in office a full year. He

has not brought about the *cambio* that was his electoral promise. His pacification program has not met with convincing success. His attempt to woo labor was nearly disastrous. Economic growth has not accelerated, and virtually none of his legislative program has been passed by Congress.

Yet, all is not dark. Caldera's foreign policy has been moderately successful, and the machinery of government has been unspectacularly but substantially reformed. The agreement with AD should make possible the passage of at least a part of Caldera's legislative program, although compromise will undoubtedly weaken much of it. If the coming session of Congress is indeed productive and if the country is not faced with serious student or labor problems, it is likely that the tempo of economic activity will improve. In these circumstances, the justification for a military coup will disappear. If, at the same time, Caldera is able to show substantial progress on the Guyana problem, either through diplomatic or military means, his stock will rise with the military and with the country as a whole.

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